



**STATE INVESTMENT BOARD  
BOARD ADOPTED POLICIES**

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**POLICY NUMBER:** 2.13.200

**EFFECTIVE DATE:** 10/25/01

**TITLE:** Savings Pool

**SUPERSEDES:** 2.30.300, 3/30/01

**BOARD ADOPTION:** 7/20/00

**APPROVED:** *James F. Parker*

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**PURPOSE:**

This document outlines the investment policy and guidelines for the Savings Pool, or stable value investment option, offered in the Deferred Compensation Program and the Judicial Retirement Account. The fund is invested in guaranteed investment contracts (GICs), bank investment contracts (BICs), and short-term cash funds. As one of several investment options within both the Deferred Compensation Program and the Judicial Retirement Account, employees can direct all or a portion of their individual portfolios and their payroll contributions into the fund.

**POLICY:**

**Investment Objectives**

Safety of principal – The primary objective for the fund is to ensure the preservation of principal, defined as the maintenance of a one-dollar net-asset value. The fund will maintain high credit standards and contract terms.

Liquidity – The fund must hold sufficient short-term cash to meet any cash withdrawal requests. As the only liquid investment option within both the Deferred Compensation Program and the Judicial Retirement Account, the fund is used by participants for transitions. The fund must have adequate liquidity to handle shifts in cash flow.

Participant/Investor Confidence – The fund will be managed, invested, and reported in a consistent manner and to a high level of quality that will ensure investor and participant confidence in the fund. Any action likely to violate investor confidence and trust will be deemed contrary to the spirit of this policy.

Yield – The fund will attempt to earn the highest return possible consistent with maintaining the first two objectives of safety of principal and liquidity. In general, the fund will strive to earn a return in excess of U.S. Treasury securities of similar maturities.

## **GUIDELINES:**

The following guidelines have been adopted for investment in GICs/BICs:

- A. Liquidity - A minimum of one percent of savings pool funds should be retained in a money market component. Further provision may be made for payout requirements that, for tax reasons, tend to peak during the early months of each calendar year.
- B. Credit Eligibility Guidelines -
  - 1. Insurance Companies:
    - a. The company must hold a certificate of authority in the state of Washington.
    - b. A.M. Best must rate the company A+.
    - c. The company must have an Insurance Financial Strength rating of Aa3 or better by Moody's.
    - d. The company should have adjusted policyholder's surplus (capital and surplus) of at least \$250 million.
    - e. Contracts with any one company should not exceed five percent of that company's capital and surplus.
  - 2. Commercial banks, mutual savings banks, and savings and loans licensed to do business in the state of Washington. The bank or savings and loan must have a long-term deposit rating of Aa3 or better by Moody's.
- C. Portfolio Diversification - The total principal value of term contracts with any one issuer shall not exceed 15 percent of the Savings Pool upon execution of a new contract.

## **PORTFOLIO MANAGEMENT:**

Management Style - The Savings Pool portfolio will be structured with a laddered maturity schedule that provides adequate liquidity. Contracts should be benefit-responsive bullets. New investments will be made through a competitive bidding process at current prevailing interest rates.

Maturity - The maximum maturity of any GIC/BIC will not exceed seven years. The portfolio must have a weighted average maturity of between two and four years.

Credit Considerations - Consideration will be given to any applicable laws that afford investment protection, such as the provisions of the Public Deposit Protection Act and Insurance Guaranty Fund, and any other public insurance or guarantee fund protections. While companies must meet minimum ratings requirements, further consideration will be given to any credit/financial analysis conducted by State Investment Board (SIB) staff.

## **RESPONSIBILITIES:**

State Investment Board – Responsible for approving the Savings Pool Investment Policy and reviewing the fund's investment performance.

Public Markets Committee – Responsible for reviewing and recommending the Savings Pool Investment Policy to the Board. The Committee is responsible for reviewing SIB staff investment management guidelines and management of the fund.

SIB Staff – Responsible for developing and recommending the Savings Pool Investment Policy to the Public Markets Committee. Staff is responsible for implementing the policy, managing the fund, and reporting performance and structure to the Public Markets Committee and the Board.

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Adopted 12/18/97 to be effective 1/1/98  
Revised 7/15/99  
Revised 7/20/00 (Supersedes 2.30.100, 7/15/99)  
Revised 3/30/01 (Supersedes 2.15.400, 7/20/00)  
Revised 10/25/01 (Supersedes 2.30.300, 3/30/01)